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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICEROOM 803 FOX PLAZA BUILDING, 1390 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94102

IN REPLY REFER TO: 90315

JUL 24 1974

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Colonel Harry L. Dukes, Jr.
Depot Commander
Sacramento Army Depot
Sacramento, California 95652

Dear Sir:

We have completed a review of the SPEEDEX Civilian Pay and Leave Accounting System at your installation. In our review we concentrated primarily on the adequacy of computer programmed controls and controls used by payroll personnel to assure complete and accurate processing of all payroll data. We also looked at the administration of leave, related civilian personnel procedures, timekeeping procedures, and the adequacy of internal review efforts in all of these areas. Our review covered the pay records and master files for the pay period ending April 20, 1974.

We found that the SPEEDEX Civilian Payroll System has been properly implemented and that prescribed controls are generally sufficient to assure complete and accurate processing of all payroll data. We also found, however, that there has been a lack of comprehensive internal reviews of the civilian payroll system within the last two years. In addition, we found that the Civilian Personnel Office (CPO) does not have an adequate procedure to assure that pay entitlement documents which they forward to the Civilian Payroll Office have been completely and accurately processed. We also found a few weaknesses related to security within the Computer Management Division. These points, as well as others, are discussed below.

Internal Review

We found that only brief coverage has been given to the civilian payroll area by your quality control group within the past two years. In addition, we found that neither the Army Audit Agency or your internal review staff have performed comprehensive reviews of the civilian payroll area within the last two years.

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We believe that more frequent and comprehensive examinations of both the manual and automated portions of the system should be made by either your own internal review staff or quality control group. Internal reviews of automatic payroll data processing are especially important because it is a significant element in a good system of internal controls. In the absence of such independent evaluations, the system is vulnerable to undetected error, misuse and possible fraud. Consequently, although we did not find any major discrepancies within the civilian payroll system, we believe that internal reviews are mandatory to insure that the system has been properly implemented and that adequate controls have been provided within the system.

Civilian Personnel Office

The Civilian Personnel Office (CPO) does not reconcile authorized and approved personnel actions with those processed by the Civilian Payroll Office and the Computer Management Division. This is partly a systems design problem in that the system does not provide a listing(s) which can easily be used for a complete reconciliation of changes made to the Master Employee Record (MER). Until the system can be redesigned to either periodically reconcile the MER with the master civilian employee personnel file or provide an exception report that lists all permanent and temporary changes made to the MER each pay period, the "Personal Services (comprehensive)" listing should be used for reconciliation purposes. Although a simple reconciliation of this listing will not enable the CPO to detect a fictitious employee on the MER, it will enable the CPO to ascertain whether all actions submitted to the Civilian Payroll Office and the Computer Management Division have been completely and accurately processed. We will be contacting the Logistic Systems Support Agency (LSSA) to see whether the system can be redesigned to provide a procedure for a complete manual or mechanical reconciliation of civilian payroll and personnel records. In the meantime, however, we suggest that the "Personal Services (comprehensive)" listing be used for reconciliation purposes.

Computer Management Division

The deficiencies we observed relate primarily to the security of computer operations. We noted, for example, that critical MER computer tapes were not being stored offsite. We found that procedures had not been established either locally or at LSSA for this purpose. Once this situation was brought to the attention of Computer Management Division personnel it was corrected immediately.

We also noted that the tape librarian is not being given the responsibility for adequately controlling magnetic tapes stored in the tape library. Computer operators are allowed to pull their own tapes and for the most part, the library is left open and unattended during the day. Although we realize that SPEDEX is not primarily a tape oriented system, the library contains numerous magnetic tapes which not only contain valuable information but, from a cost standpoint, are valuable in themselves. Because of this, we feel that, in the future, greater control should be exercised over the tape library.

Other internal controls

In the other areas covered by our review, we found that:

--the internal controls within the Civilian Payroll Office and the procedures in effect at the timekeeping level were adequate;

--controls over the disbursement of checks and savings bonds were adequate;

--the automated civilian payroll system has been implemented properly and the programmed controls are generally satisfactory (this verification was made primarily through the use of an automated test deck developed by our staff at ISSA).

We wish to express our appreciation for the excellent cooperation extended to our staff during the review. This cooperation greatly facilitated our review.

To assist our office in completing our review of the SPEDEX Civilian Pay and Leave Accounting System, we would appreciate receiving your comments and proposed actions on the above matters.

A copy of this letter is being sent to the Army Audit Agency.

Sincerely yours,

A. M. CLAVELLI

A. M. Clavelli
Regional Manager

cc: Army Audit Agency
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Redwood City, California 94063